



**ANNUAL REPORT 1967**

**W. T. GRANT COMPANY**

# W. T. Grant Company

FOUNDED IN 1906 AT LYNN, MASS.

EXECUTIVE AND BUYING OFFICES

1441 BROADWAY, NEW YORK, N. Y. 10018

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WILLIAM T. GRANT—*Honorary Chairman of the Board*

## DIRECTORS

EDWARD STALEY <i>Chairman</i>	JAMES G. KENDRICK
JOHN G. BYLER	PETER KILBURN
JOSEPH W. CHINN	JOSEPH A. LIVOLSI
JOHN G. CURTIN	LOUIS C. LUSTENBERGER
HOWLAND S. DAVIS	RICHARD W. MAYER
HOWARD E. EADES	CLARENCE J. MYERS
RAYMOND H. FOGLER	DEWITT PETERKIN, JR.
JOHN D. GRAY	CHARLES F. PHILLIPS
THOMAS P. JERMAN	HARRY E. PIERSON
	REGINALD W. ROSEVEAR
	ASA T. SPAULDING

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## OFFICERS

EDWARD STALEY <i>Chairman of the Board</i>	JAMES F. MCGRATH <i>Southern Region Vice President</i>
LOUIS C. LUSTENBERGER <i>Chairman of the Executive Committee</i>	EDWARD G. MILBURN <i>Western Region Vice President</i>
RICHARD W. MAYER <i>President</i>	JOSEPH T. REYNOLDS <i>Eastern Region Vice President</i>
HOWARD E. EADES <i>Vice President and Assistant to the President</i>	PHILIP J. RODILOSSO <i>Central Region Vice President</i>
JOHN G. CURTIN <i>Financial Vice President</i>	HERBERT T. WILKINSON <i>Pittsburgh Region Vice President</i>
JOHN J. LA PLANTE <i>Personnel Vice President</i>	ORIE YONKERS <i>Distribution Vice President</i>
JOSEPH A. LIVOLSI <i>Store Management Vice President</i>	ROBERT A. LUCKETT <i>Comptroller</i>
HARRY E. PIERSON <i>Store Expansion Vice President</i>	EDMUND B. WOOD, JR. <i>Treasurer</i>
REGINALD W. ROSEVEAR <i>Merchandise Vice President</i>	STANLEY E. ZIMMERMAN <i>Secretary and General Counsel</i>
JOHN P. DANE, JR. <i>New England Region Vice President</i>	ROBERT J. KELLY <i>Assistant Secretary</i>
	EVA M. FABREGAS <i>Assistant Comptroller</i>
	ALLAN E. LOMEN <i>Assistant Comptroller</i>

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*Transfer Agent:*

MORGAN GUARANTY TRUST COMPANY  
NEW YORK, N. Y.

*Registrar:*

BANKERS TRUST COMPANY  
NEW YORK, N. Y.



# highlights

	1967	1966
Sales . . . . .	\$979,457,734	\$920,797,287
Net earnings . . . . .	\$ 32,562,862	\$ 31,278,219
Per common share . . . . .	\$2.55	\$2.50
Average number of common shares outstanding . . . . .	12,558,007	12,302,024
Dividends paid per preferred share . . . . .	\$3.75	\$3.75
Dividends paid per common share . . . . .	\$1.10	\$1.10
Total dividends paid . . . . .	\$ 14,367,003	\$ 14,090,819
Earnings retained in the business . . . . .	\$ 18,195,859	\$ 17,187,400
Depreciation and amortization . . . . .	\$ 8,202,300	\$ 7,522,530
Capital expenditures. . . . .	\$ 7,792,000	\$ 14,856,000
Employee compensation and benefits . . . . .	\$211,692,597	\$193,412,338
Cents per sales dollar . . . . .	21.6¢	21.0¢
Merchandise inventories . . . . .	\$183,721,556	\$174,631,085
Working capital . . . . .	\$197,927,020	\$195,270,255
Net fixed assets . . . . .	\$ 47,571,707	\$ 48,070,232
Long term debt . . . . .	\$ 62,622,000	\$ 70,000,000
Book value common stock—per share . . . . .	\$16.98	\$15.35
Number of preferred stockholders . . . . .	640	650
Number of common stockholders . . . . .	17,175	17,560
Number of stores . . . . .	1,086	1,104

## THE STORE GROWTH PROGRAM/1963 THROUGH 1967

	Number of New Stores Opened	Number of Stores Enlarged	Average Size of New Stores Opened—Square Feet	Capital Expenditures
<b>1967</b>	24	13	75,700	\$ 7,792,000
<b>1966</b>	51	11	60,500	14,856,000
<b>1965</b>	27	13	43,500	7,846,000
<b>1964</b>	31	12	35,500	5,262,000
<b>1963</b>	72	9	29,300	5,750,000
<b>Totals</b>	205	58		\$41,506,000

Due to the density of stores in certain areas, the cover of this Report does not show the location of every Grant store, but does indicate the approximate geographical distribution of the 1,086 stores in operation at January 31, 1968.

**To The Stockholders:**

In the fiscal year ended January 31, 1968 the W. T. Grant Company, for the fourth consecutive year, set all-time records in both sales and earnings.

The Company's results in the First Quarter were disappointing and reflected the generally softer sales trend that prevailed throughout the economy. The performance improved throughout the Second and Third Quarters and materially strengthened in the Fourth Quarter, producing the full year's satisfactory results.

**SALES**—Sales were up 6.4% and totalled \$979,457,734 compared to 1966 sales of \$920,797,287.

Credit sales amounted to \$235,360,055, which was 24.0% of total sales for the year, compared to 23.4% of total sales in 1966.

**NET EARNINGS**—Final net earnings for the year were \$32,562,862 or \$2.55 per share compared to \$31,278,219 and \$2.50 per share in 1966.

The respective earnings per share are after deduction for preferred stock dividends and reflect the increase in the average number of common shares outstanding from 12,302,024 in 1966 to 12,558,007 in 1967.

**DIVIDENDS**—In 1967, regular dividends of \$3.75 per share were paid on the preferred stock and \$1.10 per share on the common stock, the same as in 1966.

The 1967 total dividends paid reached a record of \$14,367,000 which represented 44.1% of the year's net earnings.

On February 27, 1968 the Directors declared a regular quarterly dividend on common stock of 32½ cents per share, payable April 1, 1968, up from 27½ cents per share paid in the previous quarter.

On an annual rate, the increased common dividend is \$1.30 per share compared with the \$1.10 rate formerly paid. This is the third increase in the annual dividend rate in the past five years for an aggregate increase of 116% over this period.

The 1967 performance continues the Company record of having earned a profit and paid its stockholders dividends in every year of its 61 year history.

**FINANCIAL COMMENTS**—Working Capital increased during the year to \$197,927,020 from \$195,270,255 at the end of 1966.

Merchandise inventories at year end totalled \$183,721,556, up 5.2% from the \$174,631,085 of last year and are in good relationship to planned sales.

The total accounts receivable from customers at January 31, 1968 was \$282,646,937, a \$45,578,856 increase over the prior year. Of these installment receivables, \$149,621,053 had been sold to the W. T. Grant Credit Corporation. The balance of \$133,025,884 was owned by the Company compared to \$108,499,660 owned by the Company at last year end.

The long term debt of the Company was reduced from \$70,000,000 to \$62,622,000. Of this total reduction of \$7,378,000, \$1,500,000 represents the sinking fund requirement due December 31, 1968 on the 4¾% Debentures dated January 1, 1962. As of January 31, 1968 \$1,200,000 of these debentures had already been repurchased for cancellation. In addition, 4% Convertible Subordinated Debentures having a principal value of



\$5,878,000 were presented for conversion during the year and 209,901 shares of Common Stock were issued in exchange for the cancellation of this debt.

The Company repurchased and cancelled 2,500 shares of the 3¾% Cumulative Preferred Stock during the year.

**GROWTH PROGRAM**—In 1967, 24 new shopping center and free standing stores were opened, 13 successful stores were enlarged and the Company permanently closed 42 stores that were either inadequate in size or upon the termination of leases. During 1966, 51 new stores were opened, 11 enlarged and 35 closed.

Although the number of stores in operation at year end decreased from 1,104 last year to 1,086 this year, the total selling area of all stores was increased by approximately 4%.

We expect to open approximately 50 new stores and enlarge about 10 stores in 1968. The current estimate of the cost of this 1968 capital program is \$13,000,000.

**PERSONNEL AND ORGANIZATION**—The Company employed an average of 55,000 people during the year and had approximately 53,000 employees at year end.

In 1967, salaries, wages, social security payments, retirement plan contributions and all other employee benefits totalled \$211,693,000 or 21.6% of sales. This compares with \$193,412,000 or 21.0% of sales in 1966.

The Company's growth program continued to offer exceptional opportunities to its people during the year. 141 assistant store managers were promoted to store management and 319 store managers were promoted to management of larger stores or to other executive positions.

In anticipation of future management requirements, the Company had 1,544 men-in-training at year end, which is in line with needs.

Effective February 1, 1968 Louis C. Lustenberger retired as President under the terms of the Employees Retirement Plan. Mr. Lustenberger served as President of the Company from August 25, 1959. During his tenure the Company's sales have more than doubled and earnings have increased from \$9,850,000 to over \$32,000,000. Over this same period new Grant stores have tripled in size and the total selling area of the Company as a whole has more than doubled. Mr. Lustenberger was elected Chairman of the Executive Committee of the Board of Directors and will remain active in the business in his new capacity.

Richard W. Mayer was elected the ninth President of the Company. Mr. Mayer has been with the Company for approximately 22 years and has held the positions of National Credit Manager, Treasurer, Financial Vice-President and, most recently, Sales Vice-President.

Effective December 1, 1967 Orié Yonkers, formerly Merchandise Director, was elected Distribution Vice-President and Edmund B. Wood Jr., formerly Vice-President and Treasurer of the W. T. Grant Credit Corporation, was elected Treasurer of the Company.



LOUIS C. LUSTENBERGER



RICHARD W. MAYER

During the year, Harry E. Pierson, Store Expansion Vice-President was elected a Director of the Company replacing Michael F. Ketz who has retired.

**ZELLER'S LIMITED**—Zeller's, an affiliate which is 51% owned by the Grant Company, operating 111 stores in Canada, had an excellent year. Sales and net earnings reached new records for the fourth consecutive year.

Sales were \$132,740,101, a 13.3% increase over 1966 and net earnings were \$6,124,344, or \$1.91 per share as compared to \$4,837,816, or \$1.51 per share in 1966.

The above amounts are in Canadian dollars.

**W. T. GRANT CREDIT CORPORATION**—The Company's wholly-owned subsidiary, the W. T. Grant Credit Corporation completed its second full year of operations with a final net profit of \$1,483,628 compared to \$998,773 in 1966. The Credit Corporation derives substantially all of its earnings through charges to the Grant Company related to customer installment receivables purchased by the Credit Corporation.

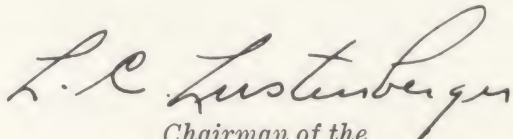
Due to the increase in the Credit Corporation's financial activities during the year the Company increased its investment in the Corporation by an additional capital contribution of \$15,000,000 in April, 1967.


The financial statements of the Credit Corporation are included in this annual report.

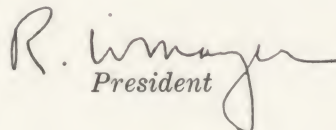
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The Company is most grateful to its employees, customers and suppliers for their loyalty and contributions to its performance in 1967. We extend a welcome to all new stockholders, and particularly appreciate the continued confidence of our other stockholders.

For 1968, we expect a good year, with a substantially larger store growth program. We feel the Company is well prepared to take advantage of the opportunities that will be provided in 1968 to improve upon the records of recent years.

  
Chairman of the  
Executive Committee

  
Chairman of the Board

  
President

March 25, 1968



# statement of operations / W. T. GRANT COMPANY

Year ended January 31,

	1968	1967
SALES . . . . .	\$979,457,734	\$920,797,287
Income from concessions . . . . .	2,786,157	2,249,484
	<u>\$982,243,891</u>	<u>\$923,046,771</u>
Cost of merchandise sold, buying and occupancy costs	669,560,443	631,585,305
	<u>\$312,683,448</u>	<u>\$291,461,466</u>
Selling, general and administrative expenses . . . . .	246,652,500	228,433,417
	<u>\$ 66,030,948</u>	<u>\$ 63,028,049</u>
<b>ADD:</b>		
Dividends received from Zeller's Limited . . . . .	987,407	837,233
Interest earned . . . . .	360,676	100,630
Other income . . . . .	661,113	110,889
	<u>\$ 2,009,196</u>	<u>\$ 1,048,752</u>
	<u>\$ 68,040,144</u>	<u>\$ 64,076,801</u>
<b>DEDUCT:</b>		
Interest expense . . . . .	11,247,532	9,055,147
Other deductions . . . . .	566,252	615,180
	<u>\$ 11,813,784</u>	<u>\$ 9,670,327</u>
<b>EARNINGS BEFORE FEDERAL INCOME TAXES . . . . .</b>	<b>\$ 56,226,360</b>	<b>\$ 54,406,474</b>
<b>PROVISION FOR FEDERAL INCOME TAXES—Note C:</b>		
Current . . . . .	14,350,000	13,541,000
Deferred . . . . .	12,300,000	11,659,000
	<u>\$ 26,650,000</u>	<u>\$ 25,200,000</u>
<b>NET EARNINGS BEFORE SUBSIDIARIES . . . . .</b>	<b>\$ 29,576,360</b>	<b>\$ 29,206,474</b>
<b>INCREASE IN UNDISTRIBUTED EQUITY IN SUBSIDIARIES:</b>		
Zeller's Limited . . . . .	1,502,874	1,072,972
W. T. Grant Credit Corporation . . . . .	1,483,628	998,773
<b>NET EARNINGS FOR THE YEAR . . . . .</b>	<b>\$ 32,562,862</b>	<b>\$ 31,278,219</b>
<b>DEDUCT:</b>		
Cash Dividends:		
On 3¾% Cumulative Preferred Stock:		
Four quarterly dividends of 93¾¢ each per share	562,502	562,506
On Common Stock:		
Four quarterly dividends of 27½¢ each per share	13,804,501	13,528,313
<b>TOTAL DIVIDENDS . . . . .</b>	<b>\$ 14,367,003</b>	<b>\$ 14,090,819</b>
<b>EARNINGS FOR THE YEAR RETAINED FOR USE IN THE BUSINESS . . . . .</b>	<b>\$ 18,195,859</b>	<b>\$ 17,187,400</b>
<b>ADD:</b>		
Earnings of prior years retained for use in the business	149,249,285	132,061,885
<b>ACCUMULATED EARNINGS RETAINED FOR USE IN THE BUSINESS AT END OF THE YEAR . . . . .</b>	<b>\$167,445,144</b>	<b>\$149,249,285</b>
<b>NET EARNINGS PER COMMON SHARE . . . . .</b>	<b>\$2.55</b>	<b>\$2.50</b>

(See notes to financial statements.)

# W. T. Grant Company

January 31,

## ASSETS

### CURRENT ASSETS

	1968	1967
Cash . . . . .	\$ 22,048,076	\$ 32,511,080
Short term securities . . . . .	2,998,854	4,996,299
Accounts receivable:		
Customers' installment accounts not sold . . . . .	133,025,884	108,499,660
Equity in customers' installment accounts (\$149,621,053 and \$128,568,421, respectively) sold . . . . .	7,481,053	6,428,421
	<u>\$140,506,937</u>	<u>\$114,928,081</u>
Less allowance for doubtful accounts . . . . .	11,307,091	9,382,701
	<u>\$129,199,846</u>	<u>\$105,545,380</u>
Other accounts receivable, claims, etc. . . . .	4,205,524	4,759,484
Total accounts receivable, net . . . . .	<u>\$133,405,370</u>	<u>\$110,304,864</u>
Merchandise inventories (including merchandise in transit)— at the lower of cost or market determined principally by the retail inventory method . . . . .	183,721,556	174,631,085
TOTAL CURRENT ASSETS . . . . .	<u>\$342,173,856</u>	<u>\$322,443,328</u>

### OTHER ASSETS

Investment in W. T. Grant Credit Corporation, at equity— Note A . . . . .	42,496,809	26,013,181
Investment in Zeller's Limited, at equity—Note A . . . . .	14,112,380	12,191,603
Cash surrender value of life insurance . . . . .	2,641,534	2,599,404
Sundry receivables and deposits . . . . .	541,212	537,546
TOTAL OTHER ASSETS . . . . .	<u>\$ 59,791,935</u>	<u>\$ 41,341,734</u>

### COMMON STOCK OF W. T. GRANT COMPANY

At cost, held for Deferred Contingent Compensation Plan (135,200 and 125,100 shares, respectively)—Note B . . . . .	1,979,757	1,663,803
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### STORE PROPERTIES, FIXTURES, AND IMPROVEMENTS— on the basis of cost

Buildings . . . . .	191,910	354,106
Furniture and fixtures . . . . .	79,971,849	78,800,927
Improvements to leased properties . . . . .	11,468,725	11,527,159
	<u>\$ 91,632,484</u>	<u>\$ 90,682,192</u>
Less allowance for depreciation and amortization . . . . .	44,782,583	43,238,148
	<u>\$ 46,849,901</u>	<u>\$ 47,444,044</u>
Land . . . . .	721,806	626,188
TOTAL STORE PROPERTIES, FIXTURES, AND IMPROVEMENTS. . . . .	<u>\$ 47,571,707</u>	<u>\$ 48,070,232</u>

PREPAID TAXES, RENTS AND INSURANCE, SUPPLIES, ETC. . . . .	2,868,914	2,649,672
UNAMORTIZED DEBT EXPENSE. . . . .	705,994	849,381
	<u>\$455,092,163</u>	<u>\$417,018,150</u>



# statement of financial position

January 31,

LIABILITIES, RESERVES, AND CAPITAL	1968	1967
<b>CURRENT LIABILITIES</b>		
Accounts payable . . . . .	\$ 53,272,136	\$ 47,072,186
Salaries, wages and bonuses . . . . .	13,228,845	12,215,157
Taxes withheld from employees compensation . . . . .	2,409,688	2,139,485
Taxes other than federal income taxes . . . . .	6,239,867	5,250,826
Current portion of long term debt . . . . .	300,000	—
Federal income taxes—Note C:		
Current . . . . .	10,642,893	14,124,419
Deferred taxes on installment sales . . . . .	58,153,407	46,371,000
<b>TOTAL CURRENT LIABILITIES . . . . .</b>	<u>\$144,246,836</u>	<u>\$127,173,073</u>
 LONG TERM DEBT—Note D. . . . .	 62,622,000	 70,000,000
 DEFERRED FEDERAL INCOME TAXES—Note C . . . . .	 7,550,894	 7,033,997
<b>RESERVES</b>		
For self-insured risks and repainting stores . . . . .	3,300,000	3,540,000
For deferred contingent compensation . . . . .	1,558,409	1,408,892
<b>TOTAL RESERVES . . . . .</b>	<u>\$ 4,858,409</u>	<u>\$ 4,948,892</u>
 <b>CAPITAL—Notes A, B, D, and E:</b>		
Capital Stock		
Cumulative Preferred—\$100 par value:		
Authorized 250,000 shares		
Issued 147,500 and 150,000 shares, respectively, of 3¾% series . . . . .		
	14,750,000	15,000,000
Common—\$1.25 par value:		
Authorized 22,500,000 shares		
Issued 12,952,613 and 12,508,522 shares, respectively . . . . .		
	16,190,766	15,635,653
Capital in excess of par value of shares issued . . . . .	36,345,291	27,153,638
Amounts paid by officers and employees under purchase contracts for 846,215 and 816,670 shares, respectively, of unissued Common Stock . . . . .	1,082,823	823,612
	<u>\$ 53,618,880</u>	<u>\$ 43,612,903</u>
Earnings retained for use in the business . . . . .	167,445,144	149,249,285
<b>TOTAL CAPITAL . . . . .</b>	<u>\$235,814,024</u>	<u>\$207,862,188</u>
 LONG TERM LEASES AND CONTINGENT LIABILITY—Note F	 <u>\$455,092,163</u>	 <u>\$417,018,150</u>

(See notes to financial statements.)

# W. T. Grant Credit Corporation

## STATEMENT OF FINANCIAL POSITION

### ASSETS

#### CURRENT ASSETS

	January 31, 1968	January 31, 1967
Customers' installment accounts purchased from W. T. Grant Company . . . . .	\$149,621,053	\$128,568,421
Less portion of purchase price withheld pending collection . . .	7,481,053	6,428,421
	<u>\$142,140,000</u>	<u>\$122,140,000</u>
Cash . . . . .	94,100	134,113
Short term securities . . . . .	—	1,398,979
Prepaid interest and other expenses . . . . .	386,732	557,460
TOTAL CURRENT ASSETS . . . . .	<u>\$142,620,832</u>	<u>\$124,230,552</u>

#### OTHER ASSETS

Furniture and equipment—at cost less allowance for depreciation . . . . .	6,545	5,532
Unamortized organization expense . . . . .	5,010	6,729
	<u>\$142,632,387</u>	<u>\$124,242,813</u>

### LIABILITIES AND CAPITAL

#### CURRENT LIABILITIES

Bank loans . . . . .	\$ 11,600,480	\$ 10,425,000
Notes payable . . . . .	87,629,165	87,222,345
Accounts payable . . . . .	555	579
Accrued interest and other expenses . . . . .	180,718	159,764
Federal income taxes . . . . .	724,660	421,944
TOTAL CURRENT LIABILITIES . . . . .	<u>\$100,135,578</u>	<u>\$ 98,229,632</u>

#### CAPITAL

Common stock—\$10,000 par value: Authorized and issued 2,500 shares . . . . .	\$ 25,000,000	\$ 25,000,000
Additional paid-in capital . . . . .	15,000,000	—
Earnings retained in the business . . . . .	2,496,809	1,013,181
TOTAL CAPITAL . . . . .	<u>\$ 42,496,809</u>	<u>\$ 26,013,181</u>
	<u>\$142,632,387</u>	<u>\$124,242,813</u>

## STATEMENT OF OPERATIONS

	Year Ended January 31	
	1968	1967
<b>INCOME:</b>		
Earnings on investment in customers' installment accounts	\$ 8,184,365	\$ 5,425,533
Other . . . . .	229,748	265,299
Total Income . . . . .	<u>\$ 8,414,113</u>	<u>\$ 5,690,832</u>
<b>EXPENSES:</b>		
Interest . . . . .	5,485,588	3,689,682
Other . . . . .	75,393	80,433
Total Expenses . . . . .	<u>\$ 5,560,981</u>	<u>\$ 3,770,115</u>
EARNINGS BEFORE FEDERAL INCOME TAXES . . . . .	\$ 2,853,132	\$ 1,920,717
FEDERAL INCOME TAXES . . . . .	1,369,504	921,944
NET EARNINGS . . . . .	<u>\$ 1,483,628</u>	<u>\$ 998,773</u>

## STATEMENT OF RETAINED EARNINGS

BALANCE BEGINNING OF YEAR . . . . .	\$ 1,013,181	\$ 14,408
NET EARNINGS FOR THE YEAR . . . . .	1,483,628	998,773
BALANCE END OF YEAR . . . . .	<u>\$ 2,496,809</u>	<u>\$ 1,013,181</u>



# combined statement of source and disposition of income

W. T. GRANT COMPANY AND W. T. GRANT CREDIT CORPORATION

(amounts in 000's)

(years which end January 31 of subsequent years)

WHERE FUNDS CAME FROM	1967	1966	1965	1964	1963
SALES . . . . .	\$979,458	\$920,797	\$839,715	\$769,921	\$698,673
LESS:					
Merchandise costs, supplies, outside services, etc. . . . .	651,761	618,945	567,393	530,790	491,938
Wages and salaries, including miscellaneous benefits . . . . .	200,514	182,833	159,287	143,901	132,756
Retirement plan contributions . . . . .	590	791	352	418	619
Social security taxes on payrolls . . . . .	10,635	9,825	8,025	7,473	7,430
Rents to landlords less rentals on subleases . . . . .	39,887	36,365	33,246	31,542	29,703
Federal, state and local taxes, excluding social security taxes . . . . .	36,808	34,309	34,468	27,139	18,250
Depreciation and amortization . . . . .	8,203	7,524	6,868	6,998	6,983
NET INCOME FROM OPERATIONS, excluding increase in equity in Zeller's Limited . . . . .	\$ 31,060	\$ 30,205	\$ 30,076	\$ 21,660	\$ 10,994
Add charges against income which involve no cash outlay:					
Depreciation and amortization . . . . .	8,203	7,524	6,868	6,998	6,983
Net increase (decrease) in reserves . . . . .	(90)	164	378	352	237
Deferred federal income tax . . . . .	517	765	1,143	485	1,616
From sale of common stock to employees . . . . .	4,113	2,695	3,431	1,723	1,094
From sale of debentures . . . . .	—	—	35,000	—	—
From sale of land and buildings . . . . .	59	30	—	219	—
From decrease in sundry accounts—net . . . . .	—	—	—	76	1,435
TOTAL FUNDS PROVIDED . . . . .	<u>\$ 43,862</u>	<u>\$ 41,383</u>	<u>\$ 76,896</u>	<u>\$ 31,513</u>	<u>\$ 22,359</u>
<b>HOW FUNDS WERE USED</b>					
For dividends to stockholders . . . . .	\$ 14,367	\$ 14,091	\$ 10,211	\$ 7,672	\$ 7,611
For investment in land and buildings . . . . .	—	667	31	—	—
For investment in furniture and fixtures . . . . .	7,500	14,113	7,561	4,807	5,306
For investment in improvements to leased properties . . . . .	263	477	416	366	346
For debenture sinking fund requirements . . . . .	1,500	—	—	—	—
For investment in Zeller's Limited . . . . .	418	269	128	158	67
For purchase of preferred stock for cancellation . . . . .	155	—	—	—	—
For purchase of common stock for deferred compensation plan . . . . .	316	441	186	186	82
For increase in sundry accounts—net . . . . .	202	72	548	—	—
Funds added to working capital . . . . .	19,141	11,253	57,815	18,324	8,947
TOTAL FUNDS USED . . . . .	<u>\$ 43,862</u>	<u>\$ 41,383</u>	<u>\$ 76,896</u>	<u>\$ 31,513</u>	<u>\$ 22,359</u>



# notes to financial statements / JANUARY 31, 1968

**Note A**—The Company carries its investment in Zeller's Limited (an approximately 51% owned Canadian subsidiary, cost \$8,422,307) and W. T. Grant Credit Corporation (a wholly-owned subsidiary, cost \$40,000,000) at equity and has included in net earnings its share of the increase in the undistributed equity of those subsidiaries.

**Note B**—The amount charged to earnings for the Deferred Contingent Compensation Plan for the year ended January 31, 1968 was \$220,000.

**Note C**—Gross profits on sales on the installment basis are reflected in the financial statements when the sales are made, whereas, for federal income tax purposes such gross profits are reported as income as collections are received.

At January 31, 1968, accumulated depreciation of approximately \$15,731,000 has been deducted for tax purposes in excess of the deduction (using the straight-line method) in the financial statements.

Investment credit totalling approximately \$588,000 has been deducted from the provision for federal income taxes for the year ended January 31, 1968.

Federal income tax returns of the Company have been examined by the Internal Revenue Service through January 31, 1963.

**Note D** — Long-term debt:

4% Sinking Fund Debentures dated January 1, 1962 and due January 1, 1987 (sinking fund payments beginning January 1, 1969)	\$33,500,000
4% Convertible Subordinated Debentures dated June 1, 1965 and due June 1, 1990	<u>\$29,122,000</u>
	<u>\$62,622,000</u>

As of January 31, 1968, 1,040,072 shares of Common Stock of the Company were reserved for conversion of the 4% Convertible Subordinated Debentures at the rate of one share of Common Stock for each \$28 principal amount of debentures.

The indentures provide, among other things, for certain limitations with respect to the declaration of cash dividends, acquisition or disposition of capital stock, and the incurrence of long-term indebtedness. At January 31, 1968, approximately \$92,000,000 of earnings retained for use in the business was free for payment of cash dividends.

**Note E**—The 3¾% Cumulative Preferred Stock is redeemable at the Company's option in whole or in part at \$100 per share plus accrued dividends to date of redemption.

During the year ended January 31, 1968, Capital In Excess of Par Value of Shares Issued was increased by \$3,558,883 for the excess of proceeds over par value of 234,190 shares of Common Stock issued under the Employees' Stock Purchase Plan and by \$5,537,721 due to the conversion of 4% Convertible Subordinated Debentures into 209,901 shares of Common Stock, and \$95,049 representing the excess of par value over the cost of 2,500 shares of 3¾% Cumulative Preferred Stock purchased and cancelled during the year.

At January 31, 1968, 996,410 shares of the Company's unissued Common Stock were reserved under the Employees' Stock Purchase Plans. Contracts for the sales of such shares, on a deferred payment basis, are made at approximate market prices at dates of contracts. Shares are issued after completion of payments. In addition to the shares reserved under these Plans, the only other shares of Capital Stock reserved for options, warrants, conversions, and other rights are 1,040,072 shares reserved for conversion of debentures and 135,200 shares of issued Common Stock held for the Deferred Contingent Compensation Plan.

**Note F**—At January 31, 1968, the Company was lessee of real property under 1,088 leases expiring subsequent to January 31, 1971, at aggregate minimum annual rentals of approximately \$37,198,000 (exclusive of taxes and other expenses payable under terms of certain of the leases). This amount includes approximately \$31,002,000 for minimum annual rentals under 881 leases which were on a percentage of sales basis with specified minimum annual rentals, but does not include any amount for 6 leases which were on a percentage of sales basis without any specified minimum annual rentals.

**Note G**—The Company has an Employees' Retirement Plan covering substantially all of its employees. The amount charged to earnings for the year ended January 31, 1968 for this Plan was \$589,982. The Company funds pension costs accrued.

## ACCOUNTANTS' REPORT

TO THE BOARDS OF DIRECTORS

W. T. GRANT COMPANY, NEW YORK, N. Y.

AND W. T. GRANT CREDIT CORPORATION, WILMINGTON, DEL.

We have examined the accompanying financial statements of the W. T. Grant Company and the W. T. Grant Credit Corporation for the year ended January 31, 1968. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statements of financial position and of operations and retained earnings present fairly the financial position of the W. T. Grant Company and of the W. T. Grant Credit Corporation at January 31, 1968 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. It is also our opinion that the accompanying combined statement of source and disposition of funds for the W. T. Grant Company and the W. T. Grant Credit Corporation for the year ended January 31, 1968 presents fairly the information shown therein.

March 25, 1968  
New York, N. Y.

ERNST & ERNST



## comparative statement of operations

(amounts in 000's) (years which end January 31 of subsequent years)

	1967	1966	1965	1964	1963	1958
SALES . . . . .	\$979,458	\$920,797	\$839,715	\$769,921	\$698,673	\$432,241
Income from concessions . . . . .	2,786	2,250	1,614	1,351	1,114	412
	<u>\$982,244</u>	<u>\$923,047</u>	<u>\$841,329</u>	<u>\$771,272</u>	<u>\$699,787</u>	<u>\$432,653</u>
LESS:						
Cost of merchandise sold, and operating expenses . . . . .	916,213	860,019	780,079	725,810	672,902	411,784
	<u>\$ 66,031</u>	<u>\$ 63,028</u>	<u>\$ 61,250</u>	<u>\$ 45,462</u>	<u>\$ 26,885</u>	<u>\$ 20,869</u>
ADD:						
Dividends, interest and other income . . . . .	2,009	1,048	998	894	796	421
	<u>\$ 68,040</u>	<u>\$ 64,076</u>	<u>\$ 62,248</u>	<u>\$ 46,356</u>	<u>\$ 27,681</u>	<u>\$ 21,290</u>
DEDUCT:						
Interest expense . . . . .	11,248	9,055	4,846	4,164	4,725	955
Other deductions . . . . .	566	615	441	332	302	170
EARNINGS BEFORE FEDERAL INCOME TAXES . . . . .	<u>\$ 56,226</u>	<u>\$ 54,406</u>	<u>\$ 56,961</u>	<u>\$ 41,860</u>	<u>\$ 22,654</u>	<u>\$ 20,165</u>
PROVISION FOR FEDERAL INCOME TAXES . . . . .	26,650	25,200	26,900	20,200	11,660	10,315
NET EARNINGS BEFORE SUBSIDIARIES . . . . .	<u>\$ 29,576</u>	<u>\$ 29,206</u>	<u>\$ 30,061</u>	<u>\$ 21,660</u>	<u>\$ 10,994</u>	<u>\$ 9,850</u>
INCREASE IN UNDISTRIBUTED EQUITY IN SUBS. . . . .	2,987	2,072	1,187	866	288	—
NET EARNINGS FOR THE YEAR . . . . .	<u>\$ 32,563</u>	<u>\$ 31,278</u>	<u>\$ 31,248</u>	<u>\$ 22,526</u>	<u>\$ 11,282</u>	<u>\$ 9,850</u>

## comparative statement of financial position

(amounts in 000's) (at January 31 of subsequent years)

	1967	1966	1965	1964	1963	1958
ASSETS:						
Cash and short term securities . . . . .	\$ 25,047	\$ 37,507	\$ 22,559	\$ 38,966	\$ 36,423	\$ 23,740
Accounts receivable—customers' accounts (net) . . . . .	129,200	105,545	107,405	54,377	27,405	1,342
Accounts receivable—other . . . . .	4,206	4,760	3,538	2,903	2,666	1,494
Merchandise inventories . . . . .	183,721	174,631	151,365	140,716	130,552	75,781
TOTAL CURRENT ASSETS . . . . .	<u>\$342,174</u>	<u>\$322,443</u>	<u>\$284,867</u>	<u>\$236,962</u>	<u>\$197,046</u>	<u>\$102,357</u>
Investment in W. T. Grant Credit Corporation . . . . .	42,497	26,013	25,014	—	—	—
Investment in Zeller's Limited, at equity . . . . .	14,112	12,192	10,850	9,550	8,526	7,340
Properties, fixtures, and improvements (net) . . . . .	47,572	48,070	40,367	39,232	41,276	37,710
Sundry other assets . . . . .	8,737	8,300	7,786	7,060	6,950	7,117
TOTAL ASSETS . . . . .	<u>\$455,092</u>	<u>\$417,018</u>	<u>\$368,884</u>	<u>\$292,804</u>	<u>\$253,798</u>	<u>\$154,524</u>
LIABILITIES, RESERVES, AND CAPITAL:						
Accounts payable and accrued expenses . . . . .	\$ 75,451	\$ 66,678	\$ 63,277	\$ 61,841	\$ 53,210	\$ 30,095
Federal income taxes . . . . .	68,796	60,495	36,574	22,919	9,957	8,225
TOTAL CURRENT LIABILITIES . . . . .	<u>\$144,247</u>	<u>\$127,173</u>	<u>\$ 99,851</u>	<u>\$ 84,760</u>	<u>\$ 63,167</u>	<u>\$ 38,320</u>
Long term debt . . . . .	62,622	70,000	70,000	35,000	35,000	—
Deferred federal income taxes . . . . .	7,551	7,034	6,269	5,126	4,641	—
Reserves . . . . .	4,858	4,949	4,784	4,407	4,056	3,011
CAPITAL:						
Preferred stock . . . . .	14,750	15,000	15,000	15,000	15,000	15,000
Common stock . . . . .	53,619	43,613	40,918	37,486	35,763	16,186
Earnings retained for use in the business . . . . .	167,445	149,249	132,062	111,025	96,171	82,007
TOTAL LIABILITIES, RESERVES, AND CAPITAL . . . . .	<u>\$455,092</u>	<u>\$417,018</u>	<u>\$368,884</u>	<u>\$292,804</u>	<u>\$253,798</u>	<u>\$154,524</u>

## other items

	1967	1966	1965	1964	1963	1958
Number of stores . . . . .	1,086	1,104	1,088	1,092	1,081	739
Pre-tax earnings per sales dollar . . . . .	5.7¢	5.9¢	6.8¢	5.4¢	3.2¢	4.7¢
Net earnings per share . . . . .	\$2.55	\$2.50	\$2.54	\$1.84	\$ .91	\$ .93
Dividends per share . . . . .	\$1.10	\$1.10	\$ .80	\$ .60	\$ .60	\$ .50
Working capital—amounts in 000's . . . . .	\$197,927	\$195,270	\$185,017	\$152,202	\$133,879	\$ 64,037
Net Worth—amounts in 000's . . . . .	\$235,814	\$207,862	\$187,980	\$163,511	\$146,934	\$113,193
% earned on net worth . . . . .	13.8	15.0	16.6	13.8	7.7	8.7





## GRANTS-own brands One of Grants finest merchandising strengths

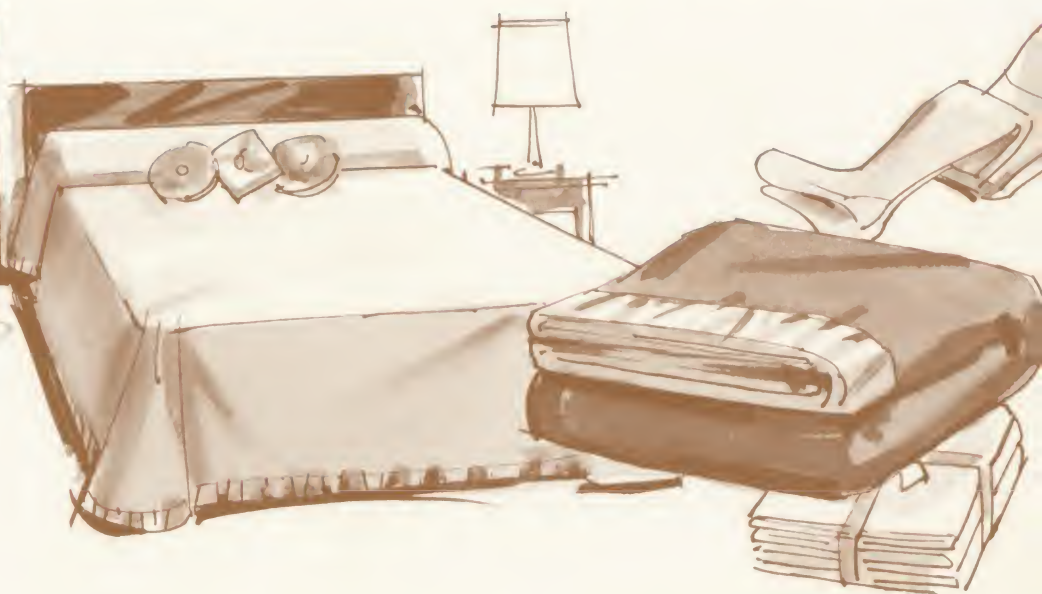
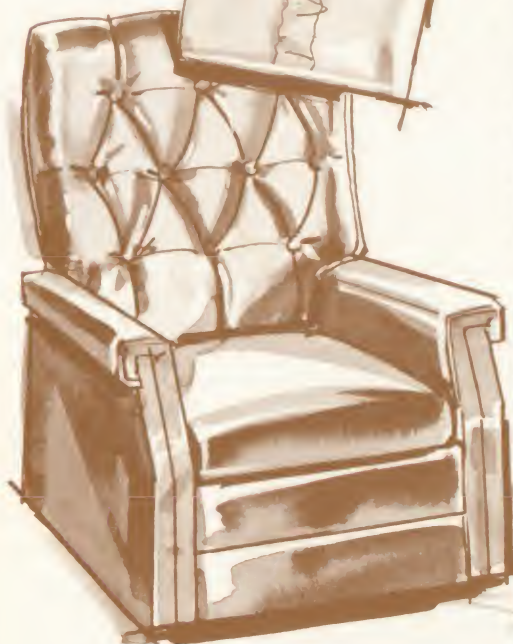
### WHY GRANTS-OWN BRANDS?

We believe that the development of merchandise to our own specifications to be sold under our own Grant Brand identification puts the Company's buying power and merchandise know-how to the most effective use for both the building of our reputation as an outstanding retail organization and for the ultimate benefit of our customers.

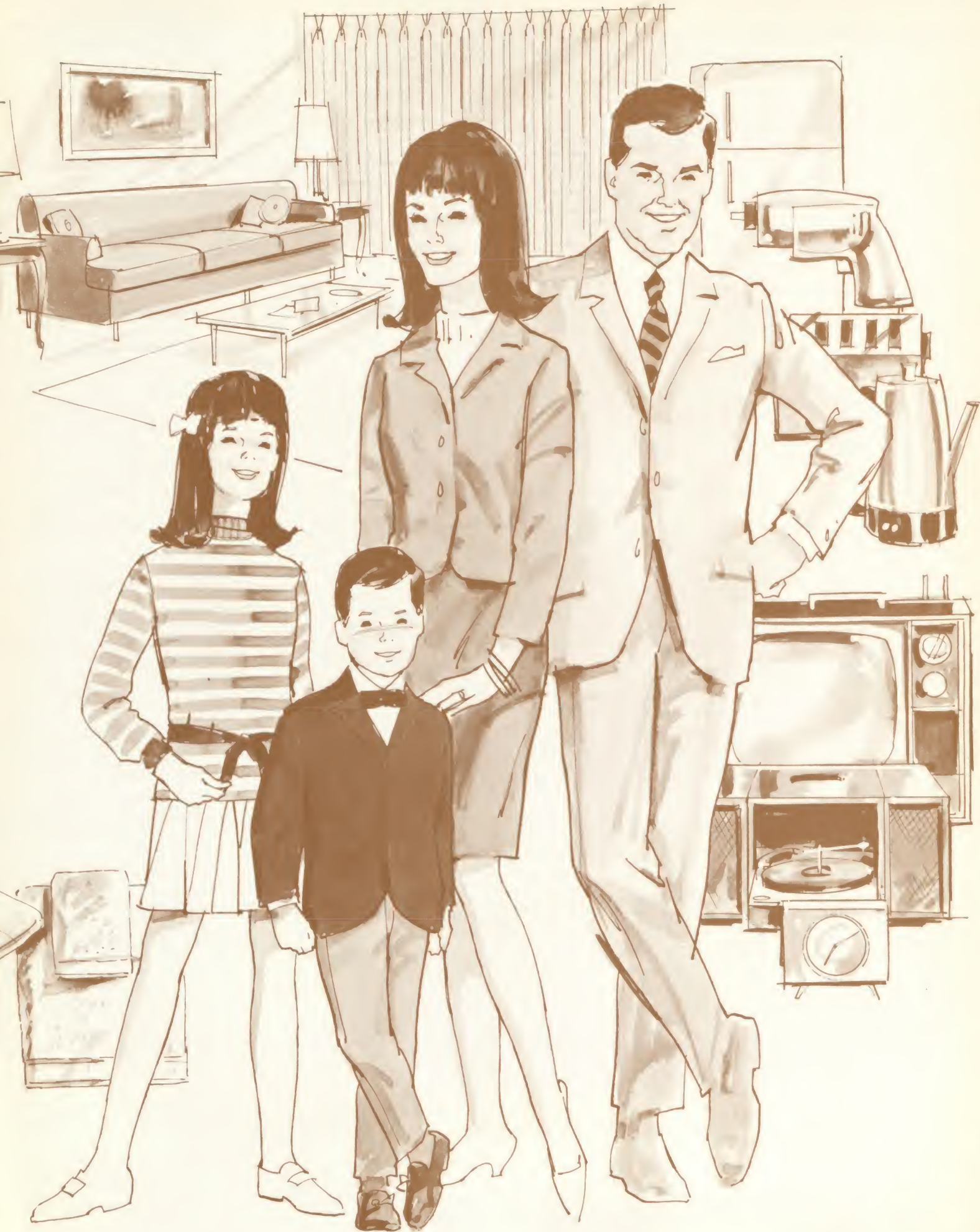
### KNOWN FOR VALUES . . .

To maintain the reputation of Grants, to add true meaning to our Slogan, "Known for Values," the items included in this program are produced by dependable, top quality manufacturers to our specifications. Consistent quality is assured by frequent checks by our own Quality Control Department on merchandise selected at random from store counters.

Never satisfied, Grants vast buying organization continues to develop outstanding merchandise that will meet the rigid standards established for products that will merit a Grant label. The Company's program has been increasingly successful. In the intensely competitive world of retailing, Grants-Own Brands now account for over half of Grants yearly sales.









**W. T. GRANT CO.**

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New York, N. Y. 10018



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